

Customer Decision Making Side of E-Commerce

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ABSTRACT

By the end of 2016 about 653 million people in the Asia Pacific region are expected to buy goods and services online. Out of these, a large chunk of customers will be from India. E-commerce is one of the fastest growing sectors in this region. According to the Associated Chambers of Commerce and Industry (ASSOCHAM) this two decades old industry in India is going to touch \$ 38 billion mark by 2016 (NARASIMHAN, 2016). Researchers and policy makers are expecting a high growth of this industry, which is currently growing with a rate of more than 50 percent. Evolution of information technology and economic prosperity are the two dominant factors for this unexpected growth of E-commerce. Therefore, researchers of E-commerce restricted themselves in these two areas. Very few researchers have explored the customer or user side of E-commerce. However, customer is the key stakeholders as well as the biggest beneficiaries of E-commerce boom. This article focuses on the decision making in E-commerce purchase. It will also highlight different factors responsible for shortening the consumer decision making while purchasing online. The other important issue discussed in this article is about elimination or the reduction of DMU (decision making units) components in Individual decision making.

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1. Introduction

In today's digital era where E-commerce is growing rapidly, customer decision making and ability to take decision is largely influenced by many ways. E-commerce has been emerged as the alternate channel of traditional buying and selling (E-Business and E-Commerce). It has entirely a different mode of interacting customers. In online purchase customers shop in virtual world, where real products are replaced with the high quality product's images. And the role of sales personals is replaced with the effective and efficient design of website. In online shopping the shop is located in the web space but as the physical store have a distinct address it also have a unique but a web address. Similarly E-commerce portals are equally popular as the physical stores and shops are (Lizarraga, 2011). Even in some cases they have similar brand online as well as in physical form. But even after having lot of similarities in products, price and brand there are lot more which is different from what it is in physical form of retailing. In the first instance these difference were observed as touch and feel factor is missing in online purchase (Lizarraga, 2011). Products purchase and its delivery time to customer has a gap in online retailing which is almost nil in physical purchase (Lieber & Syverson, 2010).

Since, physical reality is converting in to virtual reality. People around the World are accepting the success of E-commerce and later or sooner they also want to be the part of it. The popularity of E-commerce is so high that if there is one sector that is impossible to keep away from the news, it must be e-commerce (Bhattacharya, 2016). Corporations are also enjoying the boom of E-commerce as it provides them a lost cost but effective way of marketing. In India computer and information technology has spread its wings widely. And in a short span of time it has reached to the mass (Goel, 2016). The rapid growth of E-commerce in India is the result of the easy acceptance of computer and information technology by the mass Indian population. Since large numbers of companies are offering their products and services online, customer are getting multiple options to compare and evaluation without paying anything extra. This was another breakthrough for E-commerce success in India. Since customers are also moving freely in web World, corporations are free to capture customer. There are no barriers or hurdles to attract customers. But, it is not so easy as it looks. To attract new customers and to retain the regular one it is important to understand customer buying behavior and decision making in online purchase. What factors may influence customer decision while shopping online is important to know. Researcher and practitioners are sure about the success of e-commerce. But, there is a long way to go. E-

commerce is in its initial phase; therefore it is difficult to reach on any conclusion about its future. However, the trends and scenario are giving the strong positive signals for its growth and potential. Therefore, researchers are exploring various dimensions of E-commerce. The available literature on E-commerce is about its business model, principles, practices, and its comparison with traditional business practices. Majority of the available research focuses on the organization side of E-commerce. Very few researchers have touched the customer side of E-commerce. This study will cover those aspects of E-commerce which affect customer decision making.

To explore the customer side of E-commerce, researcher has taken the traditional model of decision making and trying to find out its fitness in the customer decision making for E-commerce.

Another important aspect is to check the changed occurs in the decision making unit (DMU) after the evolution of E-commerce.

2. Research Methodology

This article is purely based on the observation and interview conducted by the researcher in the last six months. E-commerce user and their shopping pattern have been observed at a micro level and interview has been conducted to reach on the outcome of this research. The user or the respondents for this study were in the age bracket (18-35) and have at least graduate level education. Before observation and interview it was ensured that the respondents are a regular user of E-commerce. It was also ensured that the respondents are aware about the decision making process and decision making unit and its role.

3. DMU (Decision making Unit) In the Era of E-Commerce

Many studies in past has explored consumer decision making process and consumer behaviour in E-commerce or online retailing (Shi 2011; Jain 2014 Xia & Sudharshan 2002; Narwal & Kant 2014; Lim & Dubinsky, 2005; Smith & Brynjolfsson, 2001). Some of these studies conducted in Indian context but rarely any study highlighted consumer decision making process while shopping online. This study is an effort in the direction of understadning consumer decision making process and role of decision making unit in E-commerce purchase.

In the traditional business practices the decision Making Unit (DMU) is a collection or team of individuals who participate in a buyer decision process. It includes the gatekeepers, the buyers, the deciders, the users and the influencers. But, in the era of E-commerce at least one

or all these roles are played by the E-commerce itself. Knowingly or unknowingly consumers are carrying the whole DMU with themselves. Penetration of Mobile phones and other hand held gadgets which are having the modern technology (technology which supports the E-commerce application) are actually responsible to consolidate individual or group of individuals as one. Internet usage pattern and the information bombarded by different E-commerce websites have a similarity. In the traditional decision making consumers were free to interact with the individuals of DMU but now they are bound to interact with the messages floated by the E-commerce portals. And these messages are often played the role what the DMU components were playing in the traditional way of commerce.

Before we go further we must understand the role of DMU and its components in traditional way of commerce and business.

In the traditional commerce and business practices Decision Making Unit (DMU) consists of all of the people who will play a role in the decision to purchase a product. The marketing mix program must address the needs of each of these individuals and find a way to communicate the marketing message to each of them. These people are typically identified as

- a) **Initiator** – Initiators recognize the value of solving a particular issue so they initiate a search for a product
- b) **Gatekeeper** – Gatekeepers act as problem or product experts and control information and access to other members of the DMU
- c) **Buyer** – the person who actually issues the check. (For example the purchasing agent, or the individual consumer)
- d) **Decider** – the person or group that actually says this is the product we want
- e) **Influencer** – whoever helps the Decider, i.e. the press, analysts, peers, evaluation groups
- f) **User** – the individual or group who actually uses the product and derives benefit from it

4. The Decision Making Process (DMP)

In the traditional way of commerce and marketing to reach on any purchase decision the people included in the decision making unit interact and take the decision. Traditionally, they are the members of family or from the social group. However, their involvement in the individual's decision making process largely depends upon the cost of product as well as the closeness of members with the individual. Davis (1976) explored the subject "Decision making within the household" on many dimension. But in his study he opined the view that

consumers as individual decision makers is still very much alive despite commonsense observations that the family is the relevant decision-making unit. In the context of E-commerce the role of family members in Individual decision making is again a matter of debate.

Consumer decision making process was decided on the outcome of marketing W's and how i.e. what, why, when, who, whom. However, DMP was equally important at the organization's end, as the marketing team designed its marketing and promotional strategies while understanding consumer how's and W's. In the world of E-commerce, companies are pro active, on the basis of past purchase, similar purchase, complementary product purchase, alternate product purchase, problem search, key words search or the real product search, E-commerce companies start influencing customers. E-commerce application itself plays the role of DMU. There is no doubt while saying that digital platforms of marketing are more effective to affect human psychology than any other mode. The success of television over radio, LCD and LED over the normal television, and smart TV over the LED and LCD are the evidence of the success of adopting digital media. Computer, laptops and mobiles are the highly interactive digital media device, which are used by the E-commerce portals to sell and promote their products. Customer are visiting these site individually, there is no human involvement is needed while visiting these sites. The appearance, design, colors and presentation of these web portal are in such a way that customer crossed all the barriers of DMU in just a click. In case of application based E-commerce customers themselves entered in the portal and the special characteristics of the application bound them to play all the roles of DMU and complete the purchase at the same time. Even if the customer not completed his or her purchase in the first attempt the advanced technology driven E-commerce start following consumer and motivate them to complete the purchase which they left before. Sometime for the sake of entertainment customer explore the E-commerce portals. And this sudden and unplanned access ends with a purchase decision. This random purchase was not pre decided and in many sense it is different from the window shopping customer do in traditional commerce.

E-commerce is offering the wide variety of products which are sometime not available in local markets. Sometime an innovative product (new for the market or new in its category) is offered exclusively through E-commerce. These products/ deals and offers are first noticed by the internet user or the person seeking for these products. The involvement of family is limited in the buying decision of such products as they themselves don't know much about

these products e.g. Smartphone are now days exclusively offered by the Flipkart or Amazon. Smartphone is a technically advance products and decision maker of the family (Parents or Spouse) sometime don't know about the technical specification of the Smartphone. In traditional decision making process, purchase decision for new products or the products which is new to the family or individual took long time. People usually took advice while taking decisions on the purchase of such products. Friends and family were playing the role of DMU but now it is becoming difficult to intervene in the purchase decisions as the online shopper usually go through the online reviews and blogs before making the final purchase decision.

The DMP is a description of this interaction. By using this structure, a Marketing Manager can best understand who, what, how, and when a customer buys. This understanding then drives the selection of all Marketing Mix elements like Channel of distribution. Since, in E-commerce the DMP is different from the traditional marketing channel, obviously the marketing mix for E-commerce should be differ.

5. Factors Responsible for Elimination of DMU in E-Commerce Purchase

However, several factors are responsible for the elimination of DMU and its components in E-commerce transaction but in the Indian context following factors are important:-

5.1. Speed: As compare to the traditional commerce, E-commerce transactions are fast and customers have limited options to think. Not only the buyer but the other stakeholders of DMU have a very little scope to intervene in the E-commerce purchase. In other words, it can be said as the purchase at E-commerce are technology driven. The purchase decision is based on a click of a mouse. However, the intensity of speed depend upon the nature of the product, transaction cost and need of the product. Since, large chunk of E-commerce customers are the Gen X and Gen Z. They are the time-starved people who want to use technology to make shopping faster, easier and more efficient (McCaskill, 2015). The consumers who grew up with digital technology (the Millennials and now Generation Z) have an unprecedented enthusiasm for and comfort with technology, and online shopping is a deeply ingrained behaviour. For example, in a report of Nielson, 30% of Millennials (ages 21-34) and 28% of Generation Z (ages 15-20) respondents say they're ordering groceries online for home delivery, compared with 22% of Generation X (ages 35-49), 17% of Baby Boomers (ages 50-64) and 9% of Silent Generation (ages 65+) respondents (McCaskill, 2015). Younger respondents are also the most willing to use all of the e-commerce options in the future and

there is no doubt in saying that younger people are passionate about speed. They don't want to wait while standing in queue of retail store if they have the option to buy the same products in easy and speedy way.

Therefore, the role of DMU lost here and only one individual i.e. the user or buyer itself plus E-commerce portal played the role of DMU.

5.2. Time: Purchase through E-commerce doesn't have time limitation. In the purchase through physical channel lot of time was required depending upon the nature and cost of the purchase. E-commerce purchase can be done just on a click of mouse. However, it is also very true that at E-commerce portals consumer explored the product, checked the deals, and gained a lot of knowledge about the product earlier. Rarely do they complete their purchase in a single stroke. This may also happened in the purchase through physical channel but in the lengthy decision making process at E-commerce vis.-a-vis. physical Channel have different reasons. The role of DMU is very limited or negligible even if the purchase decision get extend. Individuals themselves played all the role of DMU while purchasing online or they took the help of UGC (User Generated Content) if it is available there.

Not only the duration of the purchase process reduced, but also the flexibility in making purchase is another important aspect responsible for the elimination of DMU. One may not perform physical purchase lying on his bed in the late night but at E-commerce portal it is very common and usual time to do shopping. Even large number of buyers does their purchase in late nights. Large portions of online customer don't have time to do shopping in day time. Either they visited office or they are the college going adults. Online shopping through E-commerce has emerged as a gift for these people. Now they can shop for their near and dear as per their own schedule.

5.3. Liberty: Liberty in shopping was always an issue. In the conventional Indian society, where joint family is still a reality, shopping was a festival. Shopping was done in groups. People don't get freedom to make their decision alone. Even if they want to purchase something, they must go through the DMU. Elder people like Mother-in-laws were the initiator, Brother and Sister-in laws were the influencer. Husband and wife were the motivator and buyer. These roles might be change but almost in all the purchase there was limited scope of liberty in shopping.

In the past two decades besides technology, a lot of other things have been changed. Buying and purchasing behavior, life style changes, size of family and definition of family has been

changed. In the modern world people don't want peer group or family intervene in all their shopping decisions, until or unless they don't need it. Shopping through E-commerce provides them such liberty.

5.4. E-Money: Banking is the backbone of commerce and trade. Even in the digital era when commerce is being converted into E-commerce, business is transforming in E-business, banking has also been shifted to E-banking. Commerce is not possible without financial transaction. To support the E-commerce and customer need banks offered various options of physical money. E-wallet, E-paisa, M-paisa, IMPS and internet banking are some of the alternate channel of traditional banking. In the traditional commerce when a young boy needs a jeans or a pair of shoes, before making purchase he should follow a channel. This includes demand of money from parents and a verbal permission to precede the purchase. In this process parents and siblings plays the role of DMU components. Time has changed now, generation X smart and fast. Majority of the online transaction of retail banking are performed by this generation only. Generation X is advising Gen Y to handle E-banking and E-commerce. Another aspects of E-money in elimination of DMU is that due to economic prosperity, people are spending money on shopping without a second thought. Almost all the customer visiting the E-commerce portals are aware about E-banking or alternate channel of banking. Either they have their own banking solution or they have the right to access their parents banking. Plastic money, internet banking, mobile banking and recently launched app based banking and IMPS has made the whole shopping payment shorter and quieter. According to WorldPay, alternative payment methods will see their overall share of transactions grow from 37% to 50% by 2019 (Kam & Hugo-webb, 2016), the launch of faster payment mechanism such as The Payment Services Directive 2 (PSD2) of U.K and Unified Payments Interface (UPI) of India will definitely make payment mechanism faster and decision making process shorter.

5.5. Behavioral and attitudinal change: Change in consumer behavior and life style is one of the most important factor responsible for the elimination of DMU and its components in consumer decision making process. After economic prosperity it is the era of knowledge economy. Knowledge comes with information and with the advancement of internet and computer technology Information is on individual's finger tip. E-commerce portals not only sell the products they also give detailed information about the product which was not possible in physical store at that extent. Therefore, customer is not only shop online but they explore E-commerce even to gain information about the product, to compare product price and

product features and even just to get some added information about product. Rustam and Fei (2005) found it as the divergence/convergence principle of problem solving, which support consumer buying decisions in e-commerce. In their study they concluded that e-commerce plays key role in making consumers aware, knowledge enhancement and final purchase.

Bettman et al. (1998) pointed out Consumer decision processes are constructed by the decision makers themselves and by the context of the particular external environments (e.g., information presentation format, time pressure) in which the decisions are made (Bettman, 1988; Bettman, Johnson, Luce, & Payne, 1993; Bettman & Kakkar, 1977; Coupey, 1994; Payne, 1982). The shopping/decision-making environment of the Internet has changed the amount, type, and format of information available to consumers (Alba et al., 1997; Bakos, 1997). The electronic environment also provides tools for decision analysis, information storage, and information search and analysis. Thus, this environment helps Individual to make purchase decision independently, without the involvement of others. Self orientation and individual decision making are now considered as good skills. These traits makes individual stronger and effective in their peer group. Because of economic and tech revolution, individual decision making is the need of our social system. Since people are becoming more individualistic by their nature and attitude, they don't want to involve others in their decision making. Mobile, personal computer and other gadgets where E-commerce activities are being performed are the highly personalized and private gadgets. People who are using mobile phone never want to share it with others. Mobile has become the integral part of human life. Application based E-commerce portals are accessing and tracking the surfing pattern of the individual. Tracking individual surfing and sending them the customized messages is easy to the organization but very difficult to others especially to them who are the part of DMU.

5.6. Privacy: Privacy is another important aspect of consumer decision making process. However, in information age customer privacy is a big question mark. Lot of discussion is going around the world about internet security and individual privacy (Kim et al. 2008; Mukharjee and Nath, 2007; Kaur and Quareshi 2015).

But at the customers end they find their shopping at E-commerce portal more private and confidential (Ghosh, and Swaminatha 2001; Niranjnamurthy and Chahar 2013;). E-commerce companies are giving assurance to the customer that their privacy will be strictly maintained. There are certain product categories where Indian customer wants privacy while shopping. Even today people hesitate while shopping product of sexual wellness and

contraceptive. E-commerce has emerged as one of the best way to shop such products without sharing the privacy and confidentiality.

5. Conclusion, Limitations and Scope for Future Study

However the presented concept is not empirically tested but researcher has tried his level best while selecting respondents to make this study reliable. To get the statistically tested results, these aspects of consumer decision making can be tested empirically. The findings of this study will help the academicians, policy makers and to the researcher of consumer behavior, E-commerce, retailing and other similar areas. Practitioner of E-commerce may think over the discussed research in depth and on the basis of that, they can design their marketing mix. This article can be concluded as while purchasing through E-commerce the role of influencers, imitators and motivators is being diluted.. E-commerce portal have started playing the role of Decision Making Units. By floating messages in customized way and user generated content E-commerce companies are not only influencing customer but also motivating and imitating them to shop more.

On the basis of demographic profile, geographic and family structure, how the role of DMU varies can be explored further. Another research can also be done on how DMU intervene individual while shopping through E-commerce in different product categories.

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